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**United States and World Agricultural Trade
Agriculture in West Germany**

June 29, 1970

Foreign
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U.S. DEPARTMENT
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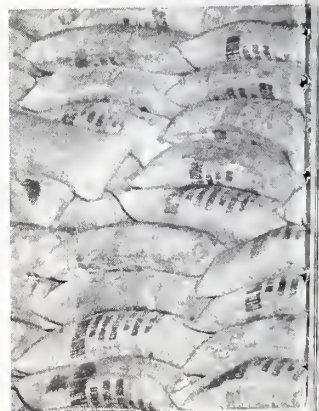
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By CLIFFORD M. HARDIN
Secretary of Agriculture



This week's cover:

Loading grain at the port of Duluth-Superior for export. In 1969 over one-third of the wheat produced in the United States was exported. For a discussion of the great importance of agricultural trade to all sectors of the U.S. economy see article by Secretary Hardin beginning this page.



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International Agricultural Trade

Every sector of our economy has a stake in liberalized agricultural trade.

Farmers benefit substantially from export marketings. For example, in fiscal year 1969 the export market provided an outlet for almost three-fifths of U.S. production of rice; two-fifths of the soybeans—including oil equivalent; nearly two-fifths of the tobacco; and over a third of the wheat.

Businessmen are helped. Agricultural exports mean profits for many export-related enterprises, such as inland transportation, storage, financing, insuring, ocean shipping, and the like.

American workers gain. A study by the Department of Labor reveals that in a recent year agricultural exports supported about 730,000 U.S. jobs.

Exports—a prime dollar earner

For many years agriculture has been a prime dollar earner in overseas markets. The gross earnings in recent years have been well over \$5 billion annually. This, of course, has helped our balance of payments.

U.S. agricultural exports set a new high record of \$6.8 billion in fiscal year 1967. At that time it looked as though this trade would continue to expand—to \$8 billion, \$10 billion, and beyond. Everything seemed to be in our favor. World population was increasing. Economic growth and related per capita purchasing power were on the upgrade. Most importantly, our efficient agriculture enables us to export many major farm products at prices competitive with those of other countries.

But the bright promise has not materialized. In fiscal year 1968 our agricultural exports dropped off to \$6.3 billion. In fiscal 1969 they slid down to \$5.7 billion. In this current 1970 fiscal year we are looking for a total of well over \$6.0 billion—an encouraging recovery, to be sure—but still far below what the rest of the world could and should take from us.

What happened?

Basically, there has been a general increase in agricultural production outside the United States. For example, in the developing countries of the Far East, new varieties of wheat and rice, plus other technological advances, have combined to push production levels upward. Technology has moved ahead

almost everywhere as agricultural know-how has become diffused throughout the world. And in recent years the weather has been generally favorable. With this kind of increase we can have no quarrel.

But we do quarrel about the increase in agricultural output that has come about because of unreasonable trade barriers set up to protect excessively high guaranteed prices. Trade carried on naturally and without artificial devices or constraints benefits both parties. Barriers to protect high guaranteed prices of farm products are not only a constraint in themselves but they also cause distortions in production. With systems of protected guaranteed prices, governments make it profitable for farmers to use the fertilizer, machinery, improved seeds, improved breeds, and all the other inputs which, in the aggregate, expand output.

Therefore, overprotection brings about the substitution of high-cost, domestically produced farm commodities for efficiently produced low-cost imported farm products. Both importing and exporting countries lose in the long run.

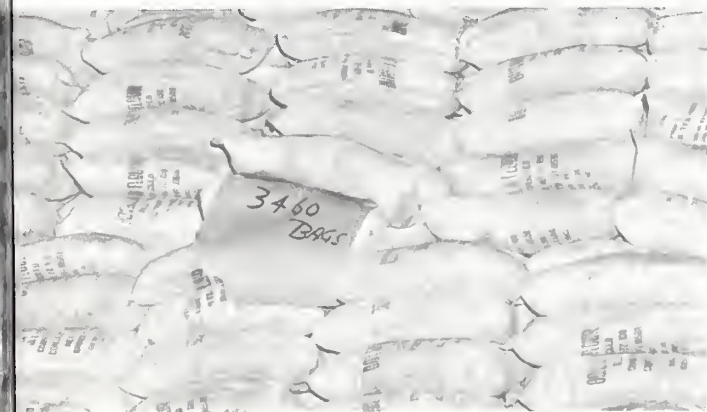
Let me note here that the United States also protects its farmers. It has had to. For example, under Section 22 (of the Agricultural Adjustment Act of 1933) farm programs on several commodities, including dairy products, are protected from material interference from imports. In recent years we have had to tighten restrictions on dairy products. We also have had to limit imports of meat under other legislation. These restrictions on imports of dairy products and meat stem from chaotic conditions in world markets. High guaranteed dairy prices overseas have stimulated surpluses which foreign countries—notably those of the European Community—are attempting to push into other countries, including the United States, through use of heavy subsidies. As for meat, the restrictions of the Community and the systems of other countries have tended to divert supplies of the meat-exporting countries toward the United States. However, the United States, with these few exceptions, protects its farmers with duties averaging a moderate 10 percent—the lowest for any major agricultural country.

How overprotectionism hurts

Overly protectionist systems are hurting our exports in several ways. First, high prices in the *protecting* countries mean a generally reduced demand for the protected products. Second, the trade barriers, such as the variable import levies used by the European Community, effectively keep our farm products from competing in the protecting countries. Third, the stimulated production often piles up as commodity surpluses, which the protecting countries try to dispose of abroad by subsidizing exports into our traditional overseas markets.

Let me cite two examples of the way high guaranteed prices distort trade patterns.

In the past 3 years the high-price system of the European Community has contributed to a production increase in coarse grains amounting to 5.7 million metric tons. This is high-cost output that has increased expenses of farmers and has raised consumer prices of meat, poultry, eggs, and other livestock production. Also, this high-cost production has meant



a decrease in imports of efficiently produced feedgrains on the order of 3.4 million tons. I might add that the United States has borne the brunt of this decrease.

Also, the European Community, which has increased its wheat production by about 4 million metric tons in the past 3 years, has shown no disposition to reduce acreage or to lower its grain prices in the light of the world's current wheat surpluses. This policy is in marked contrast to actions of the other major wheat-producing countries. The United States recently proclaimed a 1971 national wheat allotment of 43.5 million acres—a record low and the fourth successive cut in U.S. wheat acreage. Canada has put into effect a program that could virtually take that country out of wheat production this year. Australia has initiated a delivery quota system aimed, by limiting farmers' deliveries of wheat, at discouraging production. Argentina is keeping its wheat harvests in check by restraining prices farmers can get for their grain. The failure of the Community to curb its grain surpluses is canceling out in some degree the adjustment efforts of other producing countries.

Other problems

We also have had difficulties in other directions.

The United Kingdom, a major feedgrain market, has been growing more of its own grain, which it has been protecting under a system of variable import levies. For one thing, the United Kingdom has had a balance of payments problem, which has made increased self-sufficiency at least temporarily desirable. But the country also is attempting to bring its agricultural production and trade policies somewhat in line with those of the European Community, which it hopes to join.

U.S. exporters are contending with subsidized Danish poultry in such markets as Switzerland, Greece, the Middle East, Singapore, and Hong Kong. And Japan still imposes a number of quantitative restrictions on imports of agricultural products. Many of these imports, such as grapefruit, canned pineapple, ham, and bacon, are items which, by and large, do not compete with Japan's domestic production.

Bright spots in the trade picture

These are problems. But the future of U.S. agricultural trade is not completely dark. While problems are uppermost in most of our minds, the trade picture also has some bright spots.

Soybean exports make up one of the brightest spots in that picture. This is a product the world wants and needs as a source of protein food for livestock and as a source of vegetable oil for human food. We are the world's most efficient soybean producer. Furthermore, we have duty-free access, not only to the European Community, but also to several other major importers, including Canada, Denmark, Norway and Israel. We have good access to Japan, the United Kingdom, and other markets. These factors have all come together this season. Exports in this current season have been almost phenomenal. Shipments of soybeans as beans will total about 400 million bushels—a new record by a wide margin and the largest percentage gain in exports since production of this crop began in the United States. We will ship record quantities of soybean meal, and soybean oil shipments are holding up well. Altogether, exports of soybeans and products will have a record value of over \$1.4 billion.

World demand for feedgrains also is increasing. Economic

growth and increased purchasing power around the world are creating an expanded demand for meat, especially beef, and for other livestock products. The need for bigger herds and flocks is generating expanded requirements for feedgrain, much of which must be imported. The United States, as the most efficient producer of coarse grains, should share substantially in foreign market growth.

Sustained world demand

There is a basic market for U.S. wheat. Our hard wheat, in particular, is popular abroad as a source of the high-gluten flour needed for breadmaking. Our durum wheat also is in demand for spaghetti, macaroni, ravioli and many other pasta products.

We see growing markets abroad for other commodities, such as citrus fruits and juices, almonds, hides and skins, tallow, and many processed foods. We see expanded exports of high-quality beef and poultry specialties in countries where tourism is important.

We are watching the economic situation for agricultural trade as it develops around the world.

Japan, our best customer

Japan is currently the top country market prospect for U.S. agricultural commodities. We are already exporting close to \$1 billion worth of farm products annually to this remarkable island nation whose gross national product is increasing at the fantastic rate of over 12 percent a year. And we will export more in the years that lie ahead. Japan continues to become more an industrial nation and less an agricultural producer. We have similar opportunities in Taiwan, South Korea, Hong Kong, and Singapore, which are also industrializing. We have opportunities in the oil-rich Middle East and in Libya. We have opportunities in the Caribbean area, where tourism is on the upgrate.

Farmers are still on the lowest side of the income scale. An expansion of exports would enable them to obtain an increased part of their income from foreign markets. First, however, they must have access to those markets. Therefore, the United States must keep up the pressure for progress toward freer trade—toward a more market-oriented world trading system.

Challenges ahead

The years immediately ahead are going to be critical from the standpoint of agricultural trade. The policies of the European Community will be spread over a greatly increased area. It now appears that the European Community will eventually encompass the present six countries plus the United Kingdom, Ireland, Denmark, Norway, and possibly other European nations. It could well be enlarged still further through associations or special arrangements. One day it could account for over half of the world's trade in farm products. It is therefore very important that the European Community review and revise the application of its Common Agricultural Policy so that both the Community itself and also the rest of the world will be able to benefit to an increasing degree from a more efficient use of the world's agricultural resources through the expansion of trade.

Above all, U.S. agriculture needs a worldwide climate of liberal trade. In such a climate both our and other nations' importers and exporters of farm products can best work together in seeking solutions to their problems.

Mainland China's Oilseed Production Continues Low

Mainland China's oilseed production is at a low level, in spite of possible increases in yield per unit area in 1969-70.

Rapeseed production—an exception to this trend—has, on the whole, been trending upward since 1963 and should continue upward in 1970 because of better weather in the main growing areas and new growing techniques. But production of soybeans, the most important oilseed crop, was down slightly in 1969 and the outlook for 1970 is uncertain at this time. However, the weather is more favorable than earlier in the year. Peanuts are receiving some attention from the government but, like other oilseeds, are suffering from the priority given by the government to grain.

Rapeseed

Because weather in the 1969-70 season was more favorable than a year ago, in the rapeseed-growing area in the Yangtze River valley, a moderate increase in yields of rapeseed is probable. This would result in a somewhat larger harvest this year than last year, despite an apparent small cutback in acreage. At the time of planting, the amount of rain, though below normal, was good enough for the rape plant to germinate and grow normally. Below-normal rainfall in the spring is believed to have been more beneficial than the excessive 1969 spring rainfall to growing rapeseed. Also the 1969-70 winter was not as cold as that of 1968-69, although low temperatures persisted in the spring of 1970 in most rapeseed-growing areas.

The measures that the government has taken since 1963 probably account for the yield improvement. One measure is use of the cabbage-type rapeseed, which is late-maturing but

much higher yielding than the conventional type. But because the cabbage does not fit well into the rotation system of the rice-growing areas—owing to its much longer growing period—a second measure must be taken. This is raising rape seedlings in a nursery and transplanting them to the field after the autumn crop (late rice, for example) is harvested. Thus, the time the rape plant occupies the field is reduced, enabling it to be rotated with rice.

Soybeans

Although soybean acreage in 1969 is estimated at about the same as in 1968, poor weather is thought to have reduced soybean production in 1969.

The provinces of Heilungkiang and Kirin, which together produce the bulk of soybeans grown in northeast Mainland China, suffered from early frost and waterlogging. But some of the losses in the northeast, which accounts for about 40 percent of Mainland China's soybean production, are thought to have been offset by a better crop elsewhere in the country.

Peanuts

The government is apparently anxious to increase peanut production, as shown by the convening of a peanut production conference in Shantung, the most important province producing peanuts on the Mainland. But because of the priority given to grain, an increase in production would have to be based on an increase in yield rather than in acreage. Peanut acreage in 1970 will therefore probably remain at about last year's level. Prospects for the 1970 crop depend largely on the weather, which may be slightly more favorable than for the same period last year.

Floods in Romania Damage Cropland, Curtail Production

Romania's May floods covered almost 6 percent of the country's total agricultural land at flood peak. Major crops affected included grain, sunflowers, sugarbeets, and potatoes. Early vegetables and orchards in some areas were also damaged.

Flooding was most severe in mountainous areas, but additional flooding of the Danube plain—the country's main agricultural area—damaged marshland and some good cropland used for growing vegetables and industrial crops and grains. In all, about 600,000 acres of crops were damaged.

An estimated 330,000 acres of corn were completely lost. This means that production loss was about 300,000 metric tons compared with an average yearly corn production of 7.2 million tons for the last 3 years.

The grain harvest (primarily wheat) this year was not heavily damaged by flooding although output is expected to be no better than the poor 1969 harvest, primarily as a result of reduced sowing in the fall of 1969 owing to drought. Oats and barley, however, were damaged more than wheat because a larger share of these crops is grown in the cooler mountainous areas of Romania.

Sunflower losses were light to moderate relative to the total area planted (approximately 1.5 million acres). To compensate, sunflower planting may be increased in areas not affected by flooding.

Damage to potatoes and sugarbeets was heavy in some of

the mountainous areas where these crops are grown. The floods came on top of a very poor potato harvest last year, and the result is a great shortage of potatoes in Romania.

Losses resulting from substantial flooding of pasture and meadowland were 30,000 to 40,000 head of livestock and about the same number of poultry. About 700,000 head of livestock were evacuated. In addition, the short-term feed supply in some areas may become more serious because of flood damage to feed stocks and pasture.

Landslides caused heavy losses to vineyards in the Moldavian area.

Romania's Minister of Agriculture Miculescu reported that a commission is studying all the areas affected by the floods. The Minister stated that small grain crops in silted areas should remain under cultivation if no rotting appears. For row crops such as sugarbeets, corn, and sunflowers, he suggested replanting by hand where damage was light. Where the cropped area was completely washed out or where more than 30 percent to 40 percent of the planted area of a particular crop was damaged, the fields should be reseeded as quickly as possible with potatoes, field beans, or corn, he said. Because flooding washed out the fertilizer used this spring, special allocations of fertilizer amounting to 40,000 metric tons were made by the government to hard-hit areas.

—By ROGER E. NEETZ

Foreign Regional Analysis Division, ERS

Agriculture in the West German Economy

By CYNTHIA A. BREITENLOHNER
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West Germany has been experiencing an economic boom which has created nonfarm employment for large numbers of rural people and thus has fostered a further improvement in its most serious agricultural problem—the structural one. The German countryside is plagued with numerous and fragmented farms, many too small to be efficient—a fact that usually means low productivity, high production costs, and low income for the average farmer. During 1969, in part as a result of the economic boom, the rate of reduction in the number of farms was nearly 4 percent higher than in 1968; the number of people employed in agriculture decreased 4 percent. However, even with this quickened pace, the restructuring process is far from complete.

Highlights of the agricultural situation

According to this year's Green Report—an annual presentation to the Bundestag on the agricultural situation in Germany¹—the future for West German farmers depends on progress in structural improvement. The Report, which contains a projection to 1980, states that the exodus of people from agriculture will have to continue in order for farm income to rise to the comparable industry level; for this is the only way that needed consolidation of fragmented land holdings and the enlargement of farms can be achieved.

In 1969 there were 1,342,000 farms in West Germany, down from 1,376,800 in 1968. Farming was the only source of income on 36 percent of these farms; off-farm income supplemented earning on 20 percent; and on the remaining 44 percent only supplemental income was earned from farming. While agricultural workers account for almost 9 percent of the total employed population, they produce only 3 percent to 4 percent of the gross domestic product.

A bumper crop in 1968-69

Agricultural production in 1968-69 was at a record high—59.8 million tons of grain equivalent—according to data in the Green Report. This is a 2-percent rise from 1967-68. Total farm production for the season—at \$8.8 billion²—was nearly 7 percent above that of 1967-68, however. This was partly a result of price increases. Approximately 9 percent of total agricultural production was consumed on the farm in 1969; 89 percent was bought by the nonfarm sector; and the remaining 2 percent was accounted for by increases in stock.

Livestock and products are the major source of farm income in the country; they accounted for 78 percent of total farm receipts in 1968-69. The single most important source of income for West German farmers is dairying.

The value of grain production increased almost 11 percent in 1968-69 and that of livestock and products by nearly 9 percent. Wheat and pork, respectively, were the two major

commodities accounting for the increase. Simultaneously, the value of small garden plots decreased 2 percent and that of potato production nearly 1.5 percent.

Net per capita farm income increased approximately 9 percent in 1968-69, a result of both increased sales and people leaving the agricultural sector.

Cash receipts for the marketing year August-July totaled more than \$7.3 billion, an increase of nearly 8 percent over the previous season's sales.

In 1968-69, gross investment in agriculture totaled \$1.3 billion, 11 percent more than in the previous year. Investment in replacements rose by 7 percent to \$727.5 million. Gross investment in structural improvements has been declining since 1964-65; it amounted to \$117.5 million in 1968-69. Of this sum, \$53.25 million was spent for replacements and \$64.25 million or 55 percent was spent for new investments. Investments in building after a rather stagnant period of 3 years, increased to \$322.5 million. Investment per labor unit totaled \$637, \$76 more than in the preceeding year.

WEST GERMAN AGRICULTURAL BUDGET

Category	1969 ¹	1970 ²
National agricultural policy:	<i>Mil. dol.</i>	<i>Mil. dol.</i>
Improvement of agricultural structure	290.5	274.2
Modernization of farm operation	34.0	16.2
Social welfare	218.7	207.7
Rationalization of marketing	69.5	51.2
Improvement of farm income	197.0	383.0
Support of fisheries	9.0	6.0
Other support measures	43.2	55.7
Total	860.1	992.4
Market regulation:		
Intervention and similar measures	227.7	374.0
Export restitutions	97.5	205.9
Support measures	155.5	245.2
Fish market promotion2	.7
Total	500.8	914.8
Administration research	30.8	33.2
Grand total ³	1,390.9	1,940.5

¹ Authorized. ² Proposed. ³ Due to rounding, data may not add to totals.

WEST GERMAN FARM EXPENDITURES AND RECEIPTS

Category	1967-68	1968-69 ¹
Expenditures.	<i>Mil. dol.</i>	<i>Mil. dol.</i>
Gross wages and social and accident insurance	534.2	503.5
Chemical fertilizer	498.0	489.7
Feed (purchased)	1,373.0	1,396.5
Seed and livestock	31.2	25.5
Pesticides	53.5	67.5
Upkeep of farm buildings	185.0	192.5
Upkeep of farm machinery	565.0	587.5
Electricity and fuel	366.5	394.2
Farm taxes	160.7	396.7
Other farm expenses	628.5	679.2
Total current expenses ²	4,394.7	4,497.7
Cash receipts:		
Crops	1,534.9	587.7
Livestock	5,281.7	5,757.0
Total cash receipts	6,816.6	7,344.7

¹ Preliminary. ² Due to rounding, data may not add to totals.

¹ Presented in February 1970 by Joseph Ertl, Minister of Agriculture. The Green Plan or agricultural budget was also presented at that time.

² Throughout this article the conversion rate \$1=DM4 has been used, rather than the new rate of \$1=DM3.66 that became effective on Oct. 26, 1969, when the deutsche mark was revalued.

Despite the increased investment, the ratio of gross investment to sales (i.e., profit) only increased from 14.2 percent to 14.4 percent. This was a result of both sharply increased sales returns from the bumper crop and high producer prices.

Budget increase requested

Partly as a result of the bumper crop, which has contributed greatly to growing agricultural surpluses, but also because of the October deutsche mark (DM) revaluation—and the need to compensate farmers for losses incurred—a record 40-percent agricultural budget increase was requested this year.

More than half of the total agricultural budget increase of \$550 million (from \$1.39 billion to \$1.94 billion) stems from the deutsche mark revaluation. Included in the total increase is \$230 million to be used in direct subsidies to farm-

ers for their losses and \$79 million to support private storage costs of surplus agricultural commodities—grain, sugar, dairy products, and potato starch. Funds needed as export subsidies are expected to double this year.

Increases in both the dairy and wheat support programs were also called for: the proposed 41-percent rise in the dairy support program would bring its costs to \$410 million compared with \$290.8 million last year; and the predicted cost of a new slaughtering program for milk cows is \$25.2 million. During 1970, dairy programs are expected to account for approximately 21 percent (nearly \$500 million) of the total agricultural budget (the same percentage as last year), excluding subsidies which are not directly specified. Funds allocated for the 1970 grain support program are more than double the amount allocated in 1969.

Weather Mars Middle East Wheat Prospects

By MICHAEL E. KURTZIG

Foreign Regional Analysis Division, ERS

For the third consecutive year, the countries in the Middle East anticipate generally poor wheat harvests and expect to need substantial imports in order to supplement domestic production. Untimely rains followed by dry weather are the main cause of the poor crops. Once again the critical relationship between rainfall and production in the Middle East is being revealed.

Turkey for the last 2 years has had relatively poor wheat crops and was particularly hard hit by the 1970 drought. According to present calculations, Turkey will import approximately 900,000 tons of wheat during 1969-70. Turkey's wheat harvest for 1970 has been estimated at somewhere below 8 million metric tons, at least 300,000 tons less than the 1969 crop and more than 1 million tons less than the record 1967 crop. Turkish imports could easily exceed 1 million tons during 1970-71.

This poor wheat forecast is a result of unfavorable weather during the planting season in the last 3 months of 1969: most of the country was very dry and the wheat seed did not germinate until very late in the season. Also, although the winter was very mild and no winterkilling took place, there was reduced rainfall during the growing season, and in many areas complete drought during the critical months April and May. This was generally true on the Anatolian plateau, Turkey's main wheat growing area.

In the coastal regions where the high-yielding Mexican wheat varieties are grown, conditions were different. Acreage in the Adana area more than doubled; however, in the Aegean region on the west coast, only about half the hoped-for area was planted because of the heavy flooding during the planting season. Last year one-fourth of the total Turkish wheat crop was Mexican wheat; it was harvested from one-eighth of the total area. Present estimates are that the same area was sown to Mexican wheat this year but that the average yield is lower. Therefore, the total crop of Mexican wheat should be somewhat less than the 2.1 million metric tons harvested last year.

Israel's wheat production has been declining since the bumper crop of 222,000 tons in 1967: 175,000 tons were produced in 1968; 156,000 in 1969; and only 130,000 tons are estimated for 1970. The country has already purchased 380,000 tons of wheat from the United States; 250,000 tons of

this wheat was financed under the Public Law 480 program.

Israel may be facing its worst drought in 10 years. In the Negev area alone, where approximately 130,000 tons of wheat were produced in 1967, almost no wheat will be produced this year. Damage inflicted by the drought in this area will total more than \$3.5 million for all crops. In contrast to the extremely dry weather in the south, in the northern half of the country, more than one-third of total grain area planted in 1970, or 123,500 acres, sprouted prematurely—as a result of heavy rains—and failed to produce. (Approximately 80 percent of total grain area is wheat.)

Cyprus may be experiencing the worst drought in its history. Its wheat crop has been officially forecast at 30,000 tons, down substantially from last year's 85,000 tons. In the past 3 years—all relatively good crop years—Cypriot wheat imports have averaged 18,000 tons. Already this year 20,000 tons have been requested from the World Food Program of the Food and Agriculture Organization (FAO). It is therefore likely that Cyprus may import considerably more than the average for the last 3 years.

Jordan will probably harvest its smallest wheat crop since 1960; this year's crop is forecast at 70,000 tons from the East Bank of the country, down from 180,000 tons in 1969. Jordan, according to present estimates, will need to import approximately 170,000 tons of wheat in order to feed its people. This rather large amount is not unusual, however; Jordan is characteristically a wheat-importing country.

Lebanon, which earlier forecast a wheat harvest of 70,000 tons, now expects to harvest 50,000 tons—the average crop for the last 10 years. The country is continuously in need of wheat imports to supplement domestic production. Wheat needs for the coming year should be about the same as for the last 3 or 4 years—approximately 270,000 tons.

If early forecasts are correct, the wheat crops in both Syria and Iraq will also be down this year. Reports on import needs have not yet been publicly announced.

The only major wheat producing country not hit by a severe dry spell is Iran, which will be able to meet its consumption needs but may still import some wheat. The 1970 crop is expected to be near last year's crop of 3.9 million tons. Early prospects were much more favorable, but planting was delayed because of shortage of rainfall. Also, there was an extended drought in south and east Iran; the crop is only really good in the north and in the west.

Spain's Cotton Import Needs Expected to Rise

By JOSEPH H. STEVENSON
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In the aftermath of a poor 1969 cotton crop, Spain is expected to require substantial cotton imports from now until this fall when a new domestic crop becomes available. Spain's 1969 cotton crop is now placed at only 250,000 bales, down almost 30 percent from the 1968 crop of 350,000 bales, with yield per acre dropping from 500 pounds to 353 pounds. Also, the quality of the second picking of the crop was lowered considerably by flood damage and abnormally cold and rainy weather. Since this season's cotton supplies from other exporting countries have largely been marketed or committed for export, a good opportunity may now exist for U.S. cotton sales to Spain.

The qualities most needed for import are Middling to Strict Middling, grades which were in relatively short supply in Spain's 1969 crop. These middle to higher grades are needed to maintain quality standards, especially in textiles being produced for export.

While there may be opportunities for expanding U.S. cotton sales to Spain this year, the Spanish Government could resort to administrative measures to delay imports, and cotton could be affected. Presumably, however, care would be used not to jeopardize Spanish exports of manufactured goods which are dependent upon certain raw material imports. Additional restraints would be part of an effort to slow the fast pace of Spain's economic growth which showed signs of passing the safe limits of stability and orderly growth in 1969. At the end of last year there were often reports of long delays in the issuance of import permits for many products.

Recent imports and exports

Spain's cotton imports totaled an estimated 275,000 bales during 1968-69, up substantially from the average of only about 150,000 bales during the two previous seasons. Total imports in 1969-70 cannot fall far below last season's cotton imports unless stocks are drawn down sharply. At the anticipated level of consumption, imports of about 250,000 to 275,000 bales will be needed this season to maintain adequate operating stocks of the necessary qualities.

The leading shippers of cotton to Spain in 1968-69 were Brazil, Egypt, Syria, Colombia, Pakistan, and Turkey. Some countries of the Middle East have had negative trade balances with Spain and have used cotton as a means of reducing such balances. The United States exported 5,000 bales to Spain last season compared with 7,000 bales the preceding season and an annual average of 76,000 bales during 1960-64. From August through April of the current season the United States exported 3,000 bales to this market. Because of its lower production, Spain's 1969-70 cotton exports are expected to be small—about 10,000 to 15,000 bales. This is the estimated quantity of low grade, short-staple fiber from the 1969 crop not used by the domestic textile industry.

Cotton production outlook

The Spanish Government is aiming for annual cotton production of 500,000 bales—about 90 percent of expected con-

sumption—during the 1970's and for improvements in staple lengths. For 1969-70 and again for 1970-71, the government established a flat quality-incentive premium equivalent to 5.0 U.S. cents per pound for Special First class and First class grades of upland cotton, compared with the previous premiums of 1.1 cents and 3.2 cents, respectively, payable on a maximum of 345,000 bales.

However, the present outlook indicates that production will not rise to the half-million level in the near future and may even decline further unless policy changes are made. With recurring delays in issuing seasonal regulations, the dissolution of the official Institute for the Production of Textile Fibers in 1968, and support prices which are less attractive for cotton than for other major crops, it appears that the Spanish Government has not decided to promote self-sufficiency in cotton. For example, extra-long staple cotton, which suffered a steady decline in production during the 1960's, was not produced at all in the 1969-70 season since price supports were discontinued. Support prices might be made attractive enough to insure continued cotton production, but not so attractive as to cause rising prices for the textile industry.

Consumption up slightly

Spain's raw cotton consumption in 1969-70 is expected to total about 550,000 bales—up slightly from the 525,000 bales used last season, but still below the 575,000 bale level attained in 1965-66. Owing to the demand for manmade fibers, cotton consumption for making textiles used domestically is presently considered rather stable at 400,000 bales annually. However, the continued upward trend in textile exports brought about increased production of all cotton and blended yarns and fabrics in late 1969. Pure cotton yarns, with an increase of 20 percent over the same period in 1968, showed the greatest rate of growth.

Outlook for textiles

Recently, the Spanish textile industry has not been able to attract the investment funds needed to fully modernize its plants and equipment. In an effort to counteract the very rapid economic expansion of 1969, which resulted in increased inflationary pressures and the emergence of a supply-demand gap in several sectors, the Spanish Government has put restraints on the economy—including credit. As a result of this tighter credit policy, private investment in Spain has begun to level off somewhat after its rapid expansion of last year. The Spanish textile industry has also been adversely affected by the higher costs of some items that it must import such as dyestuffs and chemicals.

However, last year the Spanish Government introduced a Cotton Industry Structural Reform Program which should benefit the industry in the long run. The Program calls for the elimination of obsolete equipment up to 300,000 spindles and 8,800 looms and is intended to bring the number of installed units down to 1,970,000 spindles and 50,000 looms by December 30, 1971. Applications for installing new mills or expanding or transferring existing mills require prior government approval; and the government will assist in the modernization of existing mills, provided their overall capacity for production of finished textiles is not increased.

National Butter Brand for Britain

While 90 percent of Britain's butter consumption comes from imports, 11 dairy companies who make virtually all the domestically produced butter have banded together to establish a national brand for English butter. COUNTRY LIFE brand will be sold in ½-pound packs and will replace the 12 brands of English butter that are presently retailed in England.

The brandholder, the English Butter Marketing Company, will not own or pack the butter but will license the member companies to pack under the COUNTRY LIFE label. In addition, the company will carry out regular quality checks to insure that only "extra selected" grades will be sold.

—WILLIAM L. SCHOLZ
*Assistant U.S. Agricultural Attaché,
London*



Tallow Marketing Seminars Presented In Latin America

Because of its large livestock population, Latin America could become a major market for animal feeds produced with U.S. tallow. To date, however, most Latin American livestock, except dairy cattle and hogs, are pastured on natural grasslands and the use of animal feeds is only in the beginning stage.

In order to encourage greater use of animal fat (primarily tallow) in feed a three-man team from the National Renderers Association recently presented a series of one-day seminars in seven Latin American countries. John Haugh, Dr. O. Wilder, and Dr. Juan Amich-Gali spoke to major feed manufacturers in Guatemala, Colombia, Peru, Chile, Argentina, Brazil, and El Salvador.

While U.S. exports of tallow and greases to traditional markets—Asia and Europe—have trended downward in recent years, sales to Latin America have increased. In 1968, Latin American purchases totaled \$17.5 million and accounted for 13 percent of the value of total U.S. exports of tallow and greases.

—WAYNE W. SHARP
U.S. Agricultural Attaché, Guatemala

U.S. Holsteins Flown to Brazil

On May 11, 1970, 141 head of U.S. dairy breeding cattle were unloaded at Viracopas Airport, São Paulo—the largest shipment of U.S. livestock ever made to Brazil. The Holsteins, 140 heifers aged 9 to 17 months and one bull, are now undergoing a quarantine and adaptation process lasting about 90 days to build up their resistance to tick fever.

The cattle were purchased by two Brazilian breeders, one of whom is starting an entirely new dairy operation with an all U.S. registered Holstein herd. The cattle were selected during a visit by one of the Brazilian buyers to some 62 farms in six U.S. States.

—SHACKFORD PITCHER
U.S. Agricultural Officer, São Paulo



The Holsteins are lifted from the plane, left, into trucks, right, at Viracopas Airport, São Paulo.



CROPS AND MARKETS SHORTS

Weekly Rotterdam Grain Price Report

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	June 17, 1970	Change from previous week		A year ago
		Dol. per bu.	Cents per bu.	
Wheat:				
Canadian No. 2 Manitoba	1.96*		-1	1.91
USSR SKS-14	(¹)		(¹)	1.84
Australian Northern Hard	(¹)		(¹)	(¹)
U.S. No. 2 Dark Northern Spring:				
14 percent	1.86		-1	1.88
15 percent	(¹)		(¹)	1.91
U.S. No. 2 Hard Winter:				
13.5 percent	1.82		-5	1.86
Argentine	(¹)		(¹)	1.92
U.S. No. 2 Soft Red Winter	1.71		+1	(¹)
Feedgrains:				
U.S. No. 3 Yellow corn ...	1.68		+2	1.69
Argentine Plate corn	1.74		(¹)	1.46
U.S. No. 2 sorghum	1.43		0	1.24
Argentine-Granifero	1.39		(¹)	1.24
Soybeans:				
U.S. No. 2 Yellow	3.19		0	2.84

¹ Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

*For Sept. delivery (90 days) rather than for Aug. (30-60 days).

U.K. Cheddar Cheese Prices Up

Cheddar cheese prices were up during the month of May on the London market. The price of most imported and domestic cheese rose by 2 cents per pound.

New Zealand, which accounts for over two-thirds of total Cheddar sales in the United Kingdom, increased its price by 2 cents, bringing the price to 27.95 cents a pound. A similar price increase was made by the Australians.

The local producers of Cheddar cheese raised their prices from 32.27 to 34.27 cents per pound. Concurrent with the price increase on domestic cheese, prices on Irish Cheddar rose by 1½ cents per pound.

The price rise in Cheddar cheese was caused by a combination of factors: the drought in New Zealand this production season; the rising cost of production of domestic cheese; and the voluntary quotas on cheese imports agreed on by major supplying countries. While there is no shortage of cheese on the London market, the pressure of large stocks on the market has been removed resulting in a readjustment of prices.

This upward price change only has pushed the present price to about the 1968 level. Eleven years ago, New Zealand's finest Cheddar was selling for 31.60 cents per pound, almost 4 cents above the present price.

Philippines Limits Sugar Mills

The Philippine Government Financial Policy Committee has concluded that sugar milling is an overcrowded industry and has thus decided to limit the establishment of additional sugar

mills. This decision is based on both the government's needs to limit spending and the improved sugar supply and demand outlook through 1974. Twelve new mills, already in operation or under construction with approved government financing, will not be affected by the limitation. However, three additional mills which had previously been approved for government financing, but not yet under construction, are to be temporarily suspended, and several proposed mills apparently will not be approved.

A study of the sugar supply and demand outlook, made by the Philippine Sugar Institute and Sugar Quota Administration, indicated that the production capacity of the 24 old mills, plus the outturn of the nine new mills that are now in operation and the three under construction, would still be somewhat short of the projected demand through 1974. However, if the proposed three additional mills for which government funding was previously approved become operational, sugar production could exceed demand by 1974. The full utilization of mill capacity, improved cane yields, increased acreage, and the expansion program of four established mills, which are expected to increase production capacity by 1974, will further aid the meeting of production goals.

The financing of cane production will be first in priority. Estimates of additional cane area needed to fully supply the mills already in production or under construction run as high as 100,000 hectares (247,100 acres) and, if the three additional planned mills are built, more cane area will be needed.

Portugal's New Wine Storage Plan

The Portuguese Government has announced a plan to establish a countrywide wine storage system whereby common and graded table wines and also brandies can be stored in special large depots to allow aging without loss of quality.

All the wine growers in the country (both individuals and collective organizations) are eligible to use the new facilities provided their wine meets certain quality standards and the quantities to be stored are not less than 10,000 liters of common wine for each individual grower and 20,000 liters for cooperatives, wholesalers, and exporters.

Spanish Almond Crop Improves

Spain's 1970 almond crop is expected to be 33,000 short tons (kernel-weight basis), up 38 percent from last year's poor harvest. Heavy frost damage in February and April severely dampened Spain's 1970 production prospects.

For the period from September 1, 1969, to March 15, 1970, almond exports totaled 6,520 tons, down more than 60 percent from the same period of 1968-69. As in past seasons, Spain's major export outlets are France, West Germany, the United Kingdom, and Switzerland.

Trade sources expect domestic consumption to reach a record 13,000 tons during the 1969-70 season. This represents 54 percent of production, compared with an average in previous years of 30-35 percent. The increased domestic consumption is attributed to larger purchases by the Spanish nougat industry.

SPAIN'S ALMOND SUPPLY AND DISTRIBUTION

Item	Average 1963-67	1967-68	1968-69	Revised 1969-70
	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons
Beginning stocks (Sept. 1) ...	1.6	2.0	2.0	4.0
Production	33.4	30.0	41.0	24.0
Total supply	35.0	32.0	43.0	28.0
Exports	26.2	23.8	29.0	11.0
Domestic disappearance	7.0	6.2	10.0	13.0
Ending stocks (Aug. 31)	1.8	2.0	4.0	4.0
Total distribution	35.0	32.0	43.0	28.0

Iranian Almond Prospects

A record Iranian almond crop is forecast for 1970 following the fine spring weather. Early estimates place the crop at 11,000 short tons (kernel basis), almost double 1969 production and equal to the record 1957 harvest.

Exports of 1969-crop almonds are forecast at 3,000 tons, well below the 1968 total of 5,500 tons. The Soviet Union and West Germany are the major importers of Iranian almonds.

SUPPLY AND DISTRIBUTION OF IRANIAN ALMONDS

Item	Average 1963-67	1967-68	1968-69	1969-70
	1,000 short tons	1,000 short tons	1,000 short tons	1,000 short tons
Beginning stocks (Sept. 23)	1.0	0.5	0.5	0.1
Production	5.2	6.0	8.0	6.0
Total supply	6.2	6.5	8.5	6.1
Exports	2.1	2.8	5.5	3.0
Domestic disappearance ...	3.0	3.2	2.9	2.8
Ending stocks (Sept. 22) ...	1.1	0.5	0.1	0.3
Total distribution	6.2	6.5	8.5	6.1

Turkish Dried Fruit Prospects Good

Current reports indicate that Turkey expects larger dried fruit production in 1970. Preliminary forecasts indicate 1970 sultana production may exceed 110,000 short tons, 14 percent more than the 1969 crop of 88,000 tons. Weather is reported to be excellent and bearing acreage larger. Dried fig production is expected to total 55,000 to 60,000 short tons, slightly more than the 1969 crop of 53,000 tons. Fig sizes are expected to be larger than in 1969 and quality is expected to be high.

West German Tobacco Imports Rise

In 1969 unmanufactured tobacco imports by West Germany rose 11 percent to a record of 339.7 million pounds from 306.2 million in 1968. The previous alltime high was in 1967, when 333.8 million pounds were imported as against the 1960-64 average of 254.0 million pounds. The United States continued to be the major source of supply with a 32-percent share of the total imports. Imports from Greece, the second largest supplier, were 58 million pounds and represented a 17 percent share of the total.

Other important suppliers in 1969 included Bulgaria, Mainland China, Turkey, Indonesia, Brazil, Italy, Japan, and Mexico. Most noteworthy increases were of Mainland China's flue-cured tobacco; imports which averaged less than 1 million pounds annually during the 1960-64 year period rose sharply to 18.2 million in 1969. Mexican tobacco also made an important gain in 1969 with 11.9 million pounds, compared with 3.8 million in 1968 and an average of only one-half million pounds during 1960-64.

West Germany is the second largest market for U.S. unmanufactured tobacco. U.S. exports to West Germany in 1969 totaled 102 million pounds and represented 17.6 percent of the total U.S. exports. However, the long-term outlook for American tobacco does not appear too favorable. The proposed Common Market arrangements would give manufactured tobacco products containing a high percentage of Community-grown tobacco a heavy competitive advantage over products containing a high percentage of more expensive American tobacco.

WEST GERMAN IMPORTS OF UNMANUFACTURED TOBACCO [Declared imports]

Country of origin	Average 1960-64	1967	1968	1969
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.
United States	80.4	121.9	87.5	109.0
Greece	38.0	49.2	54.6	58.0
Bulgaria	13.1	17.8	26.6	19.2
Mainland China9	9.6	10.8	18.2
Turkey	15.3	20.2	20.6	17.0
Indonesia	8.9	21.9	11.3	14.0
Brazil	10.8	14.2	14.0	13.2
Italy	17.6	10.7	12.6	13.1
Japan	8.3	11.2	10.9	12.1
Mexico	0.5	4.8	3.8	11.9
Poland	2.5	1.3	4.7	7.2
Other	57.7	51.0	48.8	46.8
Total	254.0	333.8	306.2	339.7
	Per- cent	Per- cent	Per- cent	Per- cent
U. S. share	31.7	36.5	28.6	32.1

Spain Imports Less Tobacco

Spain's imports of unmanufactured tobacco in 1969—a 64.7 million pounds—dropped 4.5 percent from the 67.6 million pounds in 1968 and 12.7 percent from the 74.1 million in 1967. Imports from the United States at 6.6 million pounds were slightly above 1968, but substantially lower than in 1967. Brazil, the Philippines, and Cuba continued to be the

SPAIN'S IMPORTS OF UNMANUFACTURED TOBACCO

Country of origin	1967	1968	1969
	Mil. lb.	Mil. lb.	Mil. lb.
United States	7.8	6.4	6.6
Brazil	26.8	15.2	13.8
Philippines	13.4	17.0	12.6
Cuba	8.6	10.3	10.0
Dominican Republic	7.2	6.9	7.8
Paraguay	3.5	4.8	6.1
Colombia	3.5	5.0	5.8
Other	3.3	2.0	2.0
Total	74.1	67.6	64.7



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three major suppliers, together contributing 56 percent of total imports in 1969.

This decrease in imports further substantiates the current policy of the Spanish tobacco industry and the government to expand the domestic tobacco industry to reduce foreign leaf imports, and to improve Spain's balance of payments position.

India's Tobacco Exports Still High

Unmanufactured tobacco exports from India in 1969 rose to 120.5 million pounds, 5 percent above the 114.8 million pounds in 1968 but slightly below the 122.9 million pounds in 1967.

INDIAN EXPORTS OF UNMANUFACTURED TOBACCO

Destination	1967	1968	1969
	Mil. lb.	Mil. lb.	Mil. lb.
United Kingdom	49.9	52.9	47.6
Soviet Union	11.0	11.1	22.1
Japan	6.2	7.3	6.5
Southern Yemen	8.2	8.5	5.7
Indonesia	(¹)	1.7	5.3
Nepal	3.6	3.4	4.7
Ireland	—	0.1	3.0
East Germany	6.6	3.7	2.8
Somalia	0.2	2.4	2.7
Singapore	1.8	2.4	2.5
Belgium	3.3	3.4	2.4
U.A.R.	14.6	3.8	2.0
Netherlands	2.0	1.9	2.0
Other	15.5	12.2	11.2
Total	122.9	114.8	120.5

¹ Less than 50,000 lbs.

Shipments to the United Kingdom, the largest market for Indian tobacco, were 47.6 million pounds in 1969, and 40 percent of total exports. The Soviet Union—with 22.1 million pounds—was the second largest market, with purchases double that of the previous 2 years.

India ranks as a major exporter of flue-cured tobacco, second only to the United States. About 80 percent of total Indian tobacco exports are made up of flue-cured leaf.

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